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[Redacted]

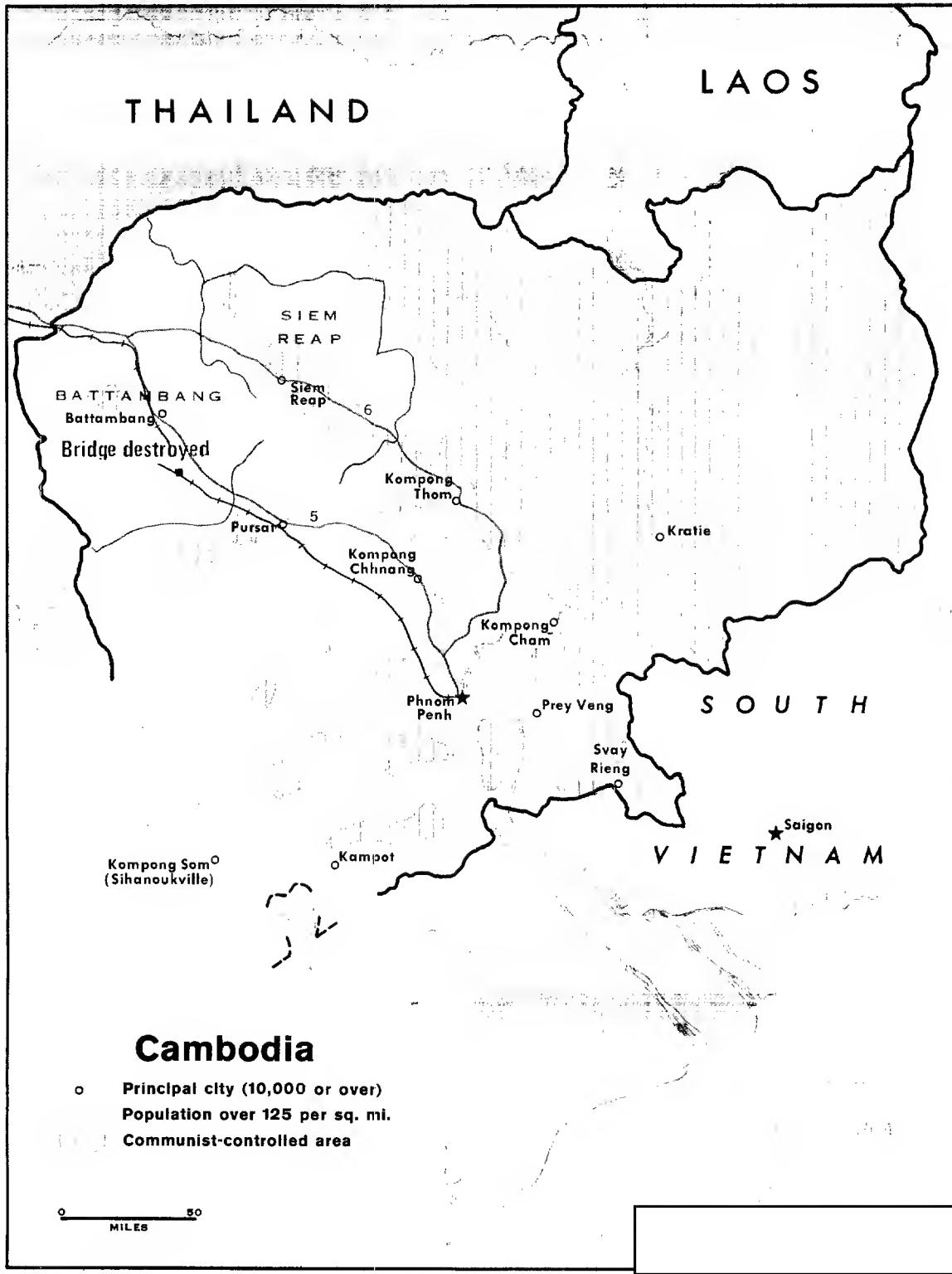
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PERU: Mineral development contract (Page 3)

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Current Situation



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CAMBODIA: The Communists have stepped up harassment along Route 5 and the Battambang railroad, apparently to curtail the flow of rice to populated areas in the east.

Government positions along Route 5 between Pursat and Battambang cities have been struck and a railroad bridge and station have been destroyed in the past week. The Communists have also been active in the countryside, and

Pursat city--one of the few provincial capitals that has not been attacked--was the target of harassing fire.

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For its part, the government has deployed five battalions north of Battambang city to block the movement of enemy troops into the area from the east. These government forces are also to secure Routes 5 and 6 in the Battambang - Siem Reap provincial border area. They ran into some stiff opposition on 22 December, but so far casualties have been light on both sides.

The fresh fighting in the west will add to the difficulties the government has had in harvesting and marketing what promised to be a bumper rice crop. In Battambang, the major rice-producing province, warehouses are still nearly full with last year's surpluses because of the lack of available civilian transportation and enemy road and rail interdictions. Consequently, prices now being offered to farmers for paddy are one third below last year's level. Moreover, growing insecurity and Cambodian Army recruiting have cut sharply into the seasonal influx of labor needed for the rice harvest.

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BOLIVIA: Press attacks on a US-owned gold mining firm may presage government action against the company.

A prominent La Paz daily, which is managed by three government-appointed supervisors, has charged that the South American Placers company reaps enormous profits with little return to the government and destroys natural riches. President Torres told the US ambassador in early November that the contracts with the company and the US-owned Matilde Mines were one-sided and unfair to Bolivia. The President did not indicate that he was planning to nationalize the companies at that time.

Since then, the minister of labor has publicly discussed the possible revision of the contract with Matilde. In addition, the US Embassy recently received information that a draft decree is before the cabinet which may propose the nationalization of these companies and properties owned by the W. R. Grace Company. Such an action would gain additional favor with the left, which has already been partially placated by the announcement of a general amnesty for political prisoners. [redacted]

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NOTES

COMMUNIST CHINA - USSR: The Sino-Soviet trade agreement concluded on 23 November covers trade conducted this year as well as projected trade in 1971, according to a Soviet official. The Soviets contend that trade turnover in 1970 will remain at "roughly the same level" as 1969's all-time low of \$56 million, but turnover in 1971 will be approximately double that amount. The agreement also may have touched in a more general way on targets for trade expansion over a longer period of time. Low levels of turnover in recent years have been economically disadvantageous to both countries. [redacted]

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PERU: The Velasco regime has signed its first mineral development contract since the Cuajone copper agreement of December 1969. The conclusion of a long-pending \$25-million contract with the US-owned Marcona Mining Company to expand iron ore production may indicate some softening in the regime's attitude toward foreign private investment in mining. Over the past year Peru's strongly nationalistic economic policies have caused US companies to relinquish their rights to several large copper ore deposits and have dried up private investment. Recently the regime has attempted to stimulate investment by taking a more conciliatory attitude toward Peruvian manufacturers. [redacted]

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